

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 AGR-10 CEA-01 CIAE-00 COME-00

DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04 ITC-01

TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 EURE-00 /106 W

----- 046082

P R 081858Z MAR 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 8611

INFO ALL EC CAPITALS 0032

UNCLAS PARIS 06957

DEPT PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR/FR: EC

SUBJECT: FRENCH-ITALIAN WINE PROBLEM ACCORDS

REF: A) PARIS 06641; B) MARSEILLE 0098; AND C) 0099

SUMMARY: ON MARCH 6 EC AGMINISTERS ANNOUNCED SHORT-TERM AGREEMENTS TO SEVERAL AGRICULTURAL PROBLEMS ONE OF WHICH IS FRENCH-ITALIAN WINE WAR. BECAUSE OF PRESSURES OF LAST WEEK'S VIOLENCE IN SOUTHERN FRANCE AND UPCOMING FRENCH LOCAL ELECTIONS, EC AGMINISTERS AGREED ON TERMS THAT WERE LESS LONG-TERM THAN THOSE GOF HAD BEEN WORKING TOWARDS. THUS CURRENT SITUATION IN SOUTHERN FRANCE IS NOW QUIET AS REPORTED REFTEL C ALTHOUGH FUNDAMENTAL PROBLEMS THAT HAVE PROVOKED WINE WAR OVER LAST YEAR STILL REMAIN UNSOLVED. END SUMMARY.

1. SINCE REFTEL EC AGMINISTERS HAVE ANNOUNCED NEW MEASURES RELATING TO WINE: A 12.5 PERCENT PRICE INCREASE FOR ITALIAN WINE; FOUR MILLION HECTOLITERS OF SURPLUS ITALIAN WINE TO BE DISTILLED FOR ALCOHOL; FRANCE WILL DROP ITS
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12 TAX ON IMPORTED ITALIAN WINE, AND FRANCE WILL BE

AUTHORIZED TO GRANT SOME INTERNAL FINANCIAL AID TO CERTAIN DOMESTIC WINE GROWERS. ALSO AID REPORTEDLY WILL BE OFFERED TO PRIVATE STORAGE OF WINE AND TOWARD DISTILLATION IF PRIVATELY STORED WINE IS UNSOLD AFTER A SPECIFIC DATE (AS YET UNSTATED.) LONGER TERM MEASURES WERE NOT SPECIFIED BUT REPORTEDLY EC WILL OFFER AID FOR DESTROYING POOR QUALITY VINES AND PLANTING GOOD QUALITY VINES. PRIOR TO LAST WEEK'S FLARE UP (REFTELS), RUMORS HAD BEEN CIRCULATING THAT POSITIVE LONG TERM SOLUTIONS TO "WINE WAR" PROBLEMS WERE IN THE MAKING AT BRUSSELS.

2. WINE SITUATION WAS NOT PARTICULARLY BAD BEFORE LAST WEEK'S CONFRONTATION IN SOUTHERN WINE DEPARTMENTS (HERAULT, AUDE, GARD, PYRENEES-ORIENTALES.) IN PAST WEEKS, WINE PRICES WERE STABLE OR INCREASING SLIGHTLY AND RUMORS OF AGREEMENT TO BE CONCLUDED SOON IN BRUSSELS BETWEEN FRANCE AND ITALY TO SETTLE WINE WAR WERE CIRCULATING. HOWEVER, DURING PAST MONTHS AGITATION HAD BEEN DEVELOPING BY RADICAL WINE PRODUCER GROUPS IN SOUTHERN FRANCE WITH SUPPORT OF UNIONS LIKE CFDT, CGT AND LEFT PARTIES. AGITATION DEVELOPED WITH SPORADIC COMMANDO ACTIONS AGAINST WINE IMPORTER WAREHOUSES. AS RESULT OF GROWING PUBLIC OPINION AGAINST SOUTHERN RADICAL WINE GROWERS ASSOCIATION (CRAV) COMMANDO ACTIVITIES, TWO MEMBERS OF COMMANDO GROUP WERE ARRESTED. THIS PROVOKED SOUTHERN WINE GROWERS INTO VIOLENT DEMONSTRATIONS MARCH 4 IN WHICH TWO PEOPLE WERE KILLED.

3. THIS CONFRONTATION PUT PRESSURE ON EC AGMINISTERS TO RAPIDLY REACH ACCORD AT TIME WHEN MOST OBSERVERS BELIEVED FINAL AGMINISTERS' DECISION WOULD NOT BE MADE UNTIL WEEK OF MARCH 15. AN ESPECIALLY CRITICAL SITUATION FOR GOF WAS FACT THAT FRENCH LOCAL ELECTIONS WERE SCHEDULED FOR SUNDAY, MARCH 7. NOW THE FIRST ROUND OF ELECTIONS ARE OVER, THE AGMINISTERS HAVE OFFERED APPARENT SOLUTIONS TO GROWERS' IMMEDIATE PROBLEMS, AND WHILE REACTION TO DEATHS WAS SHOCKING, SITUATION IS NOW RELATIVELY QUIET.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PUBLIC DEMONSTRATIONS, POLICIES, CIVIL DISORDERS, AGRICULTURAL WORKERS, WINES
Control Number: n/a
Copy: SINGLE
Draft Date: 08 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PARIS06957
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760087-0755
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760384/aaaacwfk.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 PARIS 6641, 76 MARSEILLE 98
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 27 AUG 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 AUG 2004 by meiwc>; APPROVED <03 DEC 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRENCH-ITALIAN WINE PROBLEM ACCORDS
TAGS: EAGR, FR, EC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006